February 5, 2019

Chairman Richard Neal
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Ranking Member Kevin Brady
Committee on Ways and Means
U.S. House of Representatives
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Dear Chairman Neal and Ranking Member Brady:

We appreciate the opportunity to provide comments on improving retirement security for America's workers. We are encouraged that the overarching need to help working families save for a meaningful retirement has bipartisan support. Based on available data and on our industry experience, we believe that many positive changes can and must be made to increase both the number of employers that offer retirement plans to their employees and the amount saved by those employees.

Ascensus helps eight million Americans save every day through the programs we administer. Ascensus is the largest independent 401(k) recordkeeper in the U.S., servicing over 4.6 million college savings accounts, 75,000 retirement plans (with 2.1 million participants), and more than 1.6 million IRAs and HSAs. We have also earned the role of program administrator for the first three state facilitated auto IRA retirement programs in the nation. We strive to burnish our solid industry reputation through a deep understanding of plan compliance—coupled with a keen desire to create satisfied clients.

Historically, Ascensus has adjusted to the constantly changing legislative and regulatory landscape by focusing on our ability to quickly and accurately analyze new laws and implement them in our practice. Given the complexity of retirement plans and other savings vehicles, this approach was welcomed by our customers—and has given us credibility as savings plan experts.

Given our leadership position in the markets that we operate, Ascensus has purposefully taken a more active role in encouraging legislation that promotes simpler long-term savings programs for all Americans. We believe that too many citizens are unprepared for a financially secure retirement, and we resolve to do what we can to help address this problem. In keeping with this commitment—and with the nature of the topics addressed in this hearing—Ascensus believes that the following recommendations could help ordinary Americans save for a more secure future. The first group of recommendations focuses on the IRA-based, state-sponsored retirement programs (SSRP); the second group is more comprehensive.

Build on the successes of the state-sponsored IRA programs

By most accounts, those involved with SSRPs are happy with them: employees get low-cost target date investment funds through painless payroll deductions; employers get to assist their workers with an SSRP with no cost to them; and states are positively affecting the lives of their citizens, providing them with a solid foundation for a financially secure retirement. We have also found that employers do not view these programs as the end game. Rather, they may be even more likely to adopt their own defined contribution plans as they see the positive impact on their employees' savings.

Oregon, Illinois, and California – OregonSaves was the first state-sponsored automatic enrollment IRA program to become fully operational. Since its pilot launch in 2017, Oregonians have established well over 100,000 new IRAs. Seventy-two percent of those eligible for OregonSaves—all of them previously without access to a workplace retirement program—have established new IRAs. While the current average IRA balance is about $500, clearly this figure will grow as accounts mature. For those workers who choose not to participate, the opt-out process is nearly effortless.

Illinois and California established their own auto-enrollment IRA programs on the heels of Oregon. These three programs alone are expected to help millions of workers to save for retirement. These states had the vision to supply their workers with a simple, low cost mechanism to save for retirement that did not exist before. Many, many questions were unanswered when they began the process. But they forged ahead anyway, and so far the results prove promising. Many other states are heading down the path toward implementing their own SSRPs. We should embrace the leadership that these states have shown in closing the coverage gap and helping workers create retirement nest eggs.

Public/private partnerships are working – Oregon, Illinois, and California are great examples of healthy public/private partnerships. Each state conducted a rigorous, competitive procurement process to choose the best private sector service providers for their needs: 1) professionally managed investments by a highly respected investment management firm, and 2) plan administration facilitated by a reputable private retirement plan administrator using purpose-built technology to administer the program. Each state also has a statutorily designated oversight board to monitor all aspects of its program. Although these programs are relatively new, it appears that each state has created a reliable, easy-to-use program partnering with some of the best private-sector companies in the country. These partnerships are working well. This model could be the key to an even broader, national program if Congress heads in that direction.

Further state innovation holds potential for workers without a retirement plan – Throughout America's great history, innovation has fueled progress and achievement. Innovation often comes with risk, and we should recognize the risks that Oregon, Illinois, California, and other states are taking by forging ahead into new retirement plan territory. The Oregon and California programs faced immediate legal challenges, and additional lawsuits may await other states that proceed with their programs. But the federal government is uniquely positioned to allow states to continue their efforts to provide retirement savings options.

Ascensus strongly encourages Congress to protect state-sponsored retirement programs that adhere to reasonable federal rules. Further, if a federal automatic-enrollment retirement plan law is enacted, we believe that states should still be permitted to create or facilitate programs that would satisfy a federal requirement. For example, states have adopted legislation that enables them to start their own 529 savings plans under a federal statutory structure. (The same has happened for ABLE accounts.) Without knowing which specific provisions will pass—or how states might respond to them—it is hard to anticipate the exact nature of state innovation. But if innovation helps bring retirement savings to more working families, Congress should do all that it can to encourage it.

Continue working toward a more comprehensive federal retirement plan solution.

Ascensus encourages Congress to act boldly to equip Americans to save. At least one-third of U.S. citizens are unable to save through a workplace retirement plan. Congress should use its authority to remedy this gap by changing rules applicable to qualified plans such as 401(k) plans. Ascensus has provided retirement plan administration for over 40 years. We have thrived on making the complexities of retirement plans more understandable to our clients. We believe, however, that many such rules could be simplified.

We believe that comprehensive retirement plan reform should include these provisions.

1) **Expanded coverage –** require all but the smallest employers to implement an auto-enrollment plan that allows most employees to participate—and provide start-up credits for employers.
2) **Increased contributions –** automatically enroll employees at a moderate default deferral rate, with automatic increases and credits related to implementation of automatic enrollment features.
3) **Simplification –** eliminate unnecessary plan types and design features, and make plans easier for employers and employees to understand.
4) **Asset preservation –** increase savings and reduce "leakage" by educating savers, making plan portability consistent, and narrowing preretirement withdrawal options.
5) **Improved reporting and disclosure –** standardize employee communications (with default electronic delivery), and simplify plan reports, notices, and IRS Form 5500 reporting.

These concepts are designed to help Americans close the retirement savings gap, which most acknowledge as a very real problem. Implementing these improvements will require careful deliberation and thoughtful balancing of important interests. Any worthwhile change to entrenched rules causes some disruption, but the value of the change should not be gauged only by its difficulty. It should be measured by the benefit to American workers, many of whom have virtually no retirement savings. And by this standard, such bold action is well worth taking.

Sincerely,

David Musto

David Musto
President